2024/2025

BUDGET HIGHLIGHTS

Intercontinental Trust Ltd

CONTENT

EDITORIAL

Intercontinental Trust Ltd

Inclusive Prosperity : Every Vote, Every Voice, Every Value

In a landscape marked by uncertainty, the reading of the 2024-2025 budget by The Honourable Minister of Finance, Economic Planning and Development, Dr Renganaden Padayachy, signals a bold and comprehensive step towards addressing the diverse challenges facing our nation as well as promoting a socially inclusive country. Amidst global economic turbulence and domestic socio-economic complexities, this budget emerges as a strategic blueprint, meticulously crafted for the people to foster prosperity, inclusivity, and innovation.

The Resilience of the Economy

The economic performance in 2023 remains significant, with a GDP growth rate of 7 percent, following an impressive 8.9 percent growth in 2022. Our GDP reached Rs 651.7 billion in 2023, surpassing the initial estimate of Rs 628.4 billion, showcasing robust economic health.

Foreign Direct Investment (FDI) inflows amounted to Rs 37 billion in 2023, setting a new record compared to the previous Rs 33.5 billion. This surge in FDI reflects increasing global confidence in Mauritius as an investment destination. Exports of goods and services also saw a significant increase, rising by Rs 30.8 billion to reach Rs 347 billion. These figures highlight strengthened trade relations and the growing demand for Mauritian goods and services.

EDITORIAL (cont.)

The unemployment rate dropped to 6.1 percent by the end of 2023, the lowest in over 25 years, a testament to the effectiveness of our employment policies. Concurrently, headline inflation decreased from 10.8 percent in 2022 to 7 percent in 2023, indicating increased economic stability. To further ensure the economic prosperity of the country, the budget sets a target investment rate of 25 percent and FDI inflows of Rs 40 billion in 2024.

The government has outlined several key measures to reach these ambitious goals. A comprehensive review of the blueprint for the financial services sector in light of new opportunities, challenges, and threats is being proposed. Additionally, a roadmap for developing Mauritius as a Fintech Hub in the region will be devised with the assistance of the United Nations Economic Commission for Africa. The centralised e-KYC system will be extended to the global business sector, further streamlining regulatory compliance and enhancing efficiency.

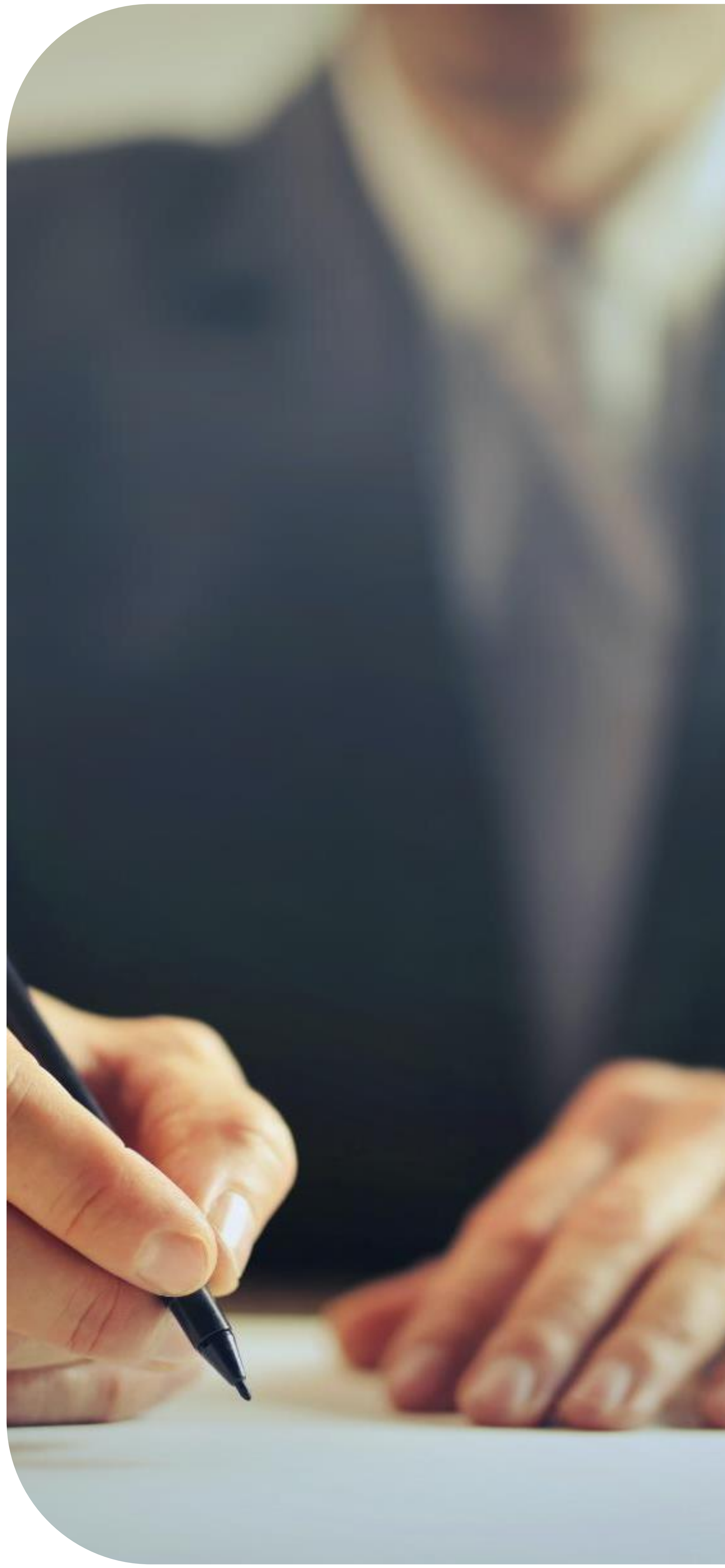
A 10-year expert Occupation Permit will be introduced to attract foreign talents in wealth management, family office, virtual assets, and virtual tokens. In addition, measures like setting up of a new consulate in Réunion Island and an embassy in Japan will surely facilitate economic and trade relations.

Embracing digital innovation in the age of AI

Recognising the transformative power of the digital realm, the government has unveiled a suite of initiatives aimed at fostering innovation and digital inclusivity. The Small Business Digital Champion Scheme and the promotion of Artificial Intelligence (AI) training highlight the commitment to nurturing a tech-savvy workforce and propelling digital adoption across sectors. This budget is particularly focused on the digitalisation of various services to enhance our deliverables, ensuring that government services are efficient, accessible, and user-friendly.

Championing Eco-Friendly practices

Aligned with our global sustainability aspirations, the budget introduces measures to champion green energy and sustainable practices. The ICT Sector Carbon Neutral Scheme incentivises the adoption of renewable energy solutions. The establishment of a framework for secondary trading of government bonds and the promotion of digital payments further underscore our commitment to building a modern, efficient, and eco-friendly financial ecosystem. The measures proposed in the 2024/2025 budget show a proactive approach towards achieving the United Nations' SDGs.



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With a great dose of social equity

Amidst our island's pursuit of progress, this budget is reinforcing the government's dedication to social development and inclusivity. Significant increase in the allocations for social benefits, health, and education reflect the commitment to enhancing the quality of life for all Mauritian citizens.

Indeed! A last budget prior to the polls

Just as organisations encourage loyalty with long-term incentive, Honourable Dr Renganaden Padayachy has sown seeds of continuous support from the citizens through his progressive social measures. But let's agree with Jack Lew who states that *"The budget is not just a collection of numbers, but an expression of our values and aspirations."*

In essence, the 2024-2025 budget stands as a testament to the government's unwavering commitment to forging a prosperous and inclusive future for Mauritius. By prioritising economic prosperity, digital transformation, sustainable development, and social inclusivity, the Minister of Finance set down everything for a brighter tomorrow. However, we note that the Minister's address lacks detailed insights into revenue generation strategies and development of new sectors of the economy; crucial aspects for ensuring the feasibility and sustainability of the proposed measures.

Focusing on economic resilience, digital innovation, sustainability, and social inclusivity, the Government believes that this strategic blueprint not only meets immediate needs but also prepares Mauritius to excel in a dynamic global landscape and to become a **Rs 1 trillion** economy by 2030.

The Editorial Team

KEY TAKEAWAYS

7%
GDP growth rate

Rs 651.7 billion
GDP in 2023

Rs 37 billion
FDI inflows for 2023

Rs 30.8 billion
Increase in Exports of goods and services

6.1%
Unemployment rate

From 10.8% to 7%
Decrease in Headline Inflation

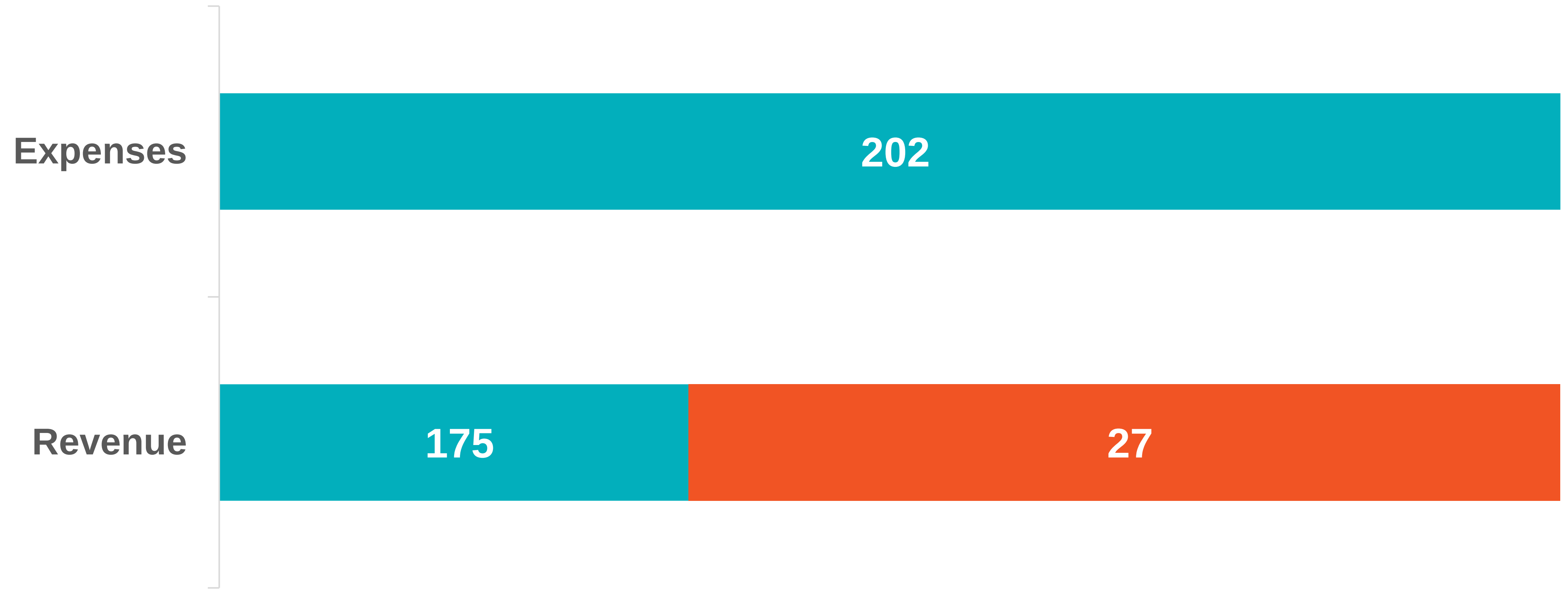
30.9%
Total investment growth rate

78% of GDP
Public sector debt

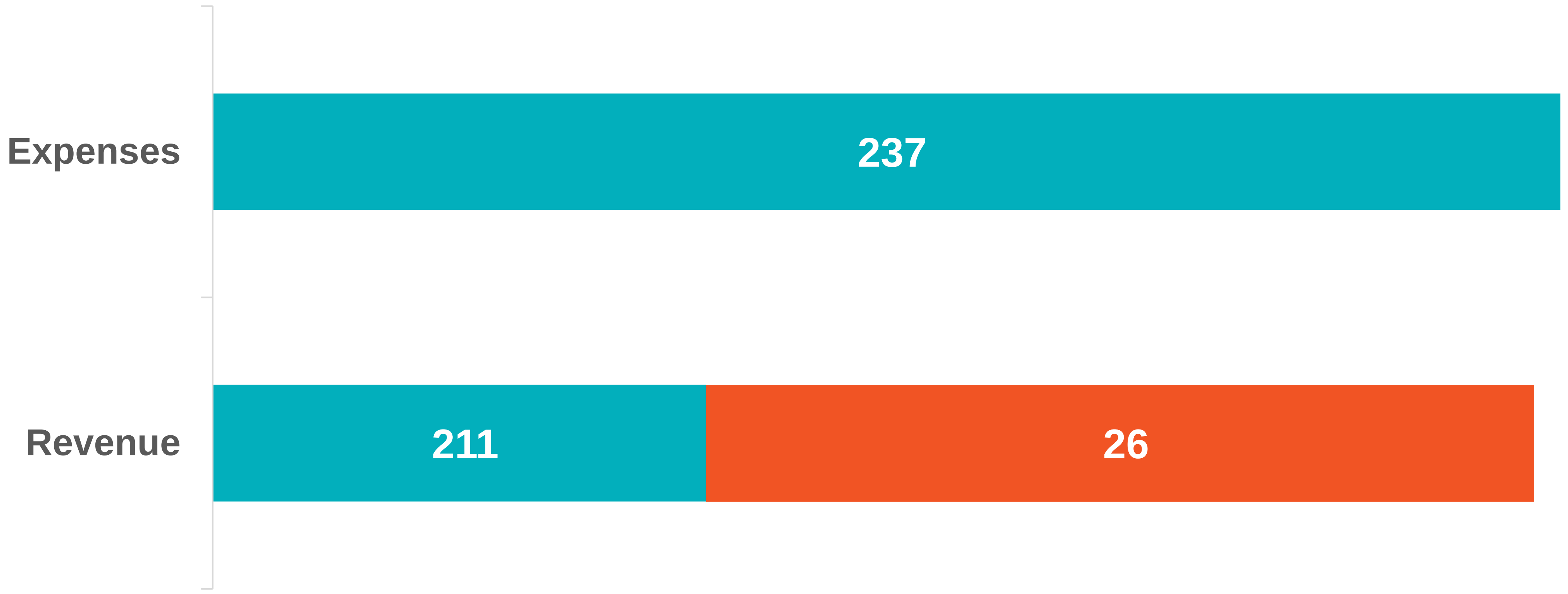
ECONOMIC OUTLOOK

OVERALL PERFORMANCE

23/24 (RS BILLION)



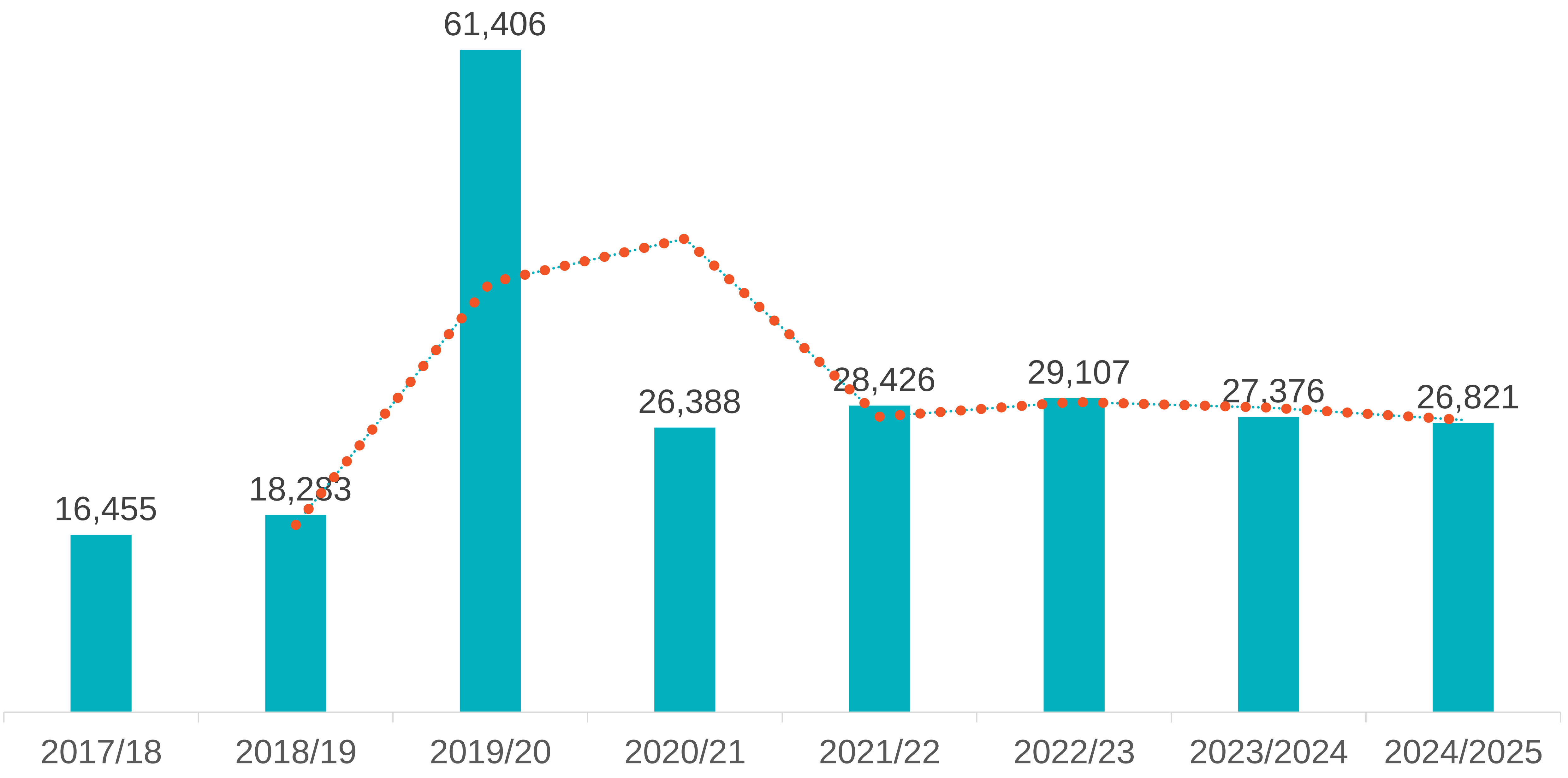
24/25 (RS BILLION)



In 2024-2025, the government anticipates an increase of 20.5% in revenue (Rs 35.75 billion). This increase is primarily due to higher taxes on income and profits and taxes on goods and services. The government also expects an increase in expenses by approximately Rs 35.19 billion.

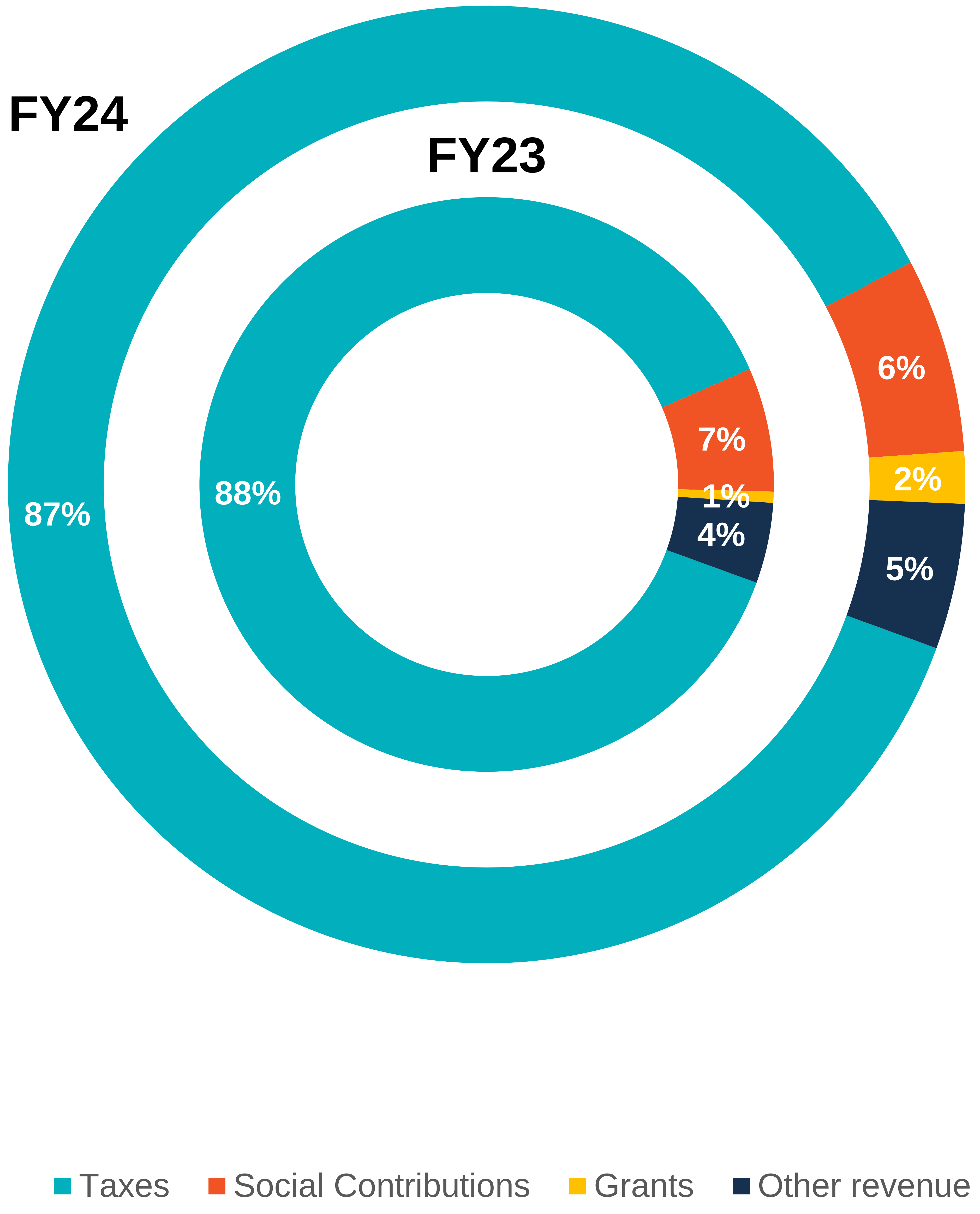
The main components of this increase are general public services and social protection. A deficit of about Rs 26 billion is projected for the next fiscal year, compared to last year's deficit of approximately Rs 27 billion.

DEFICIT TREND (RS MILLION)

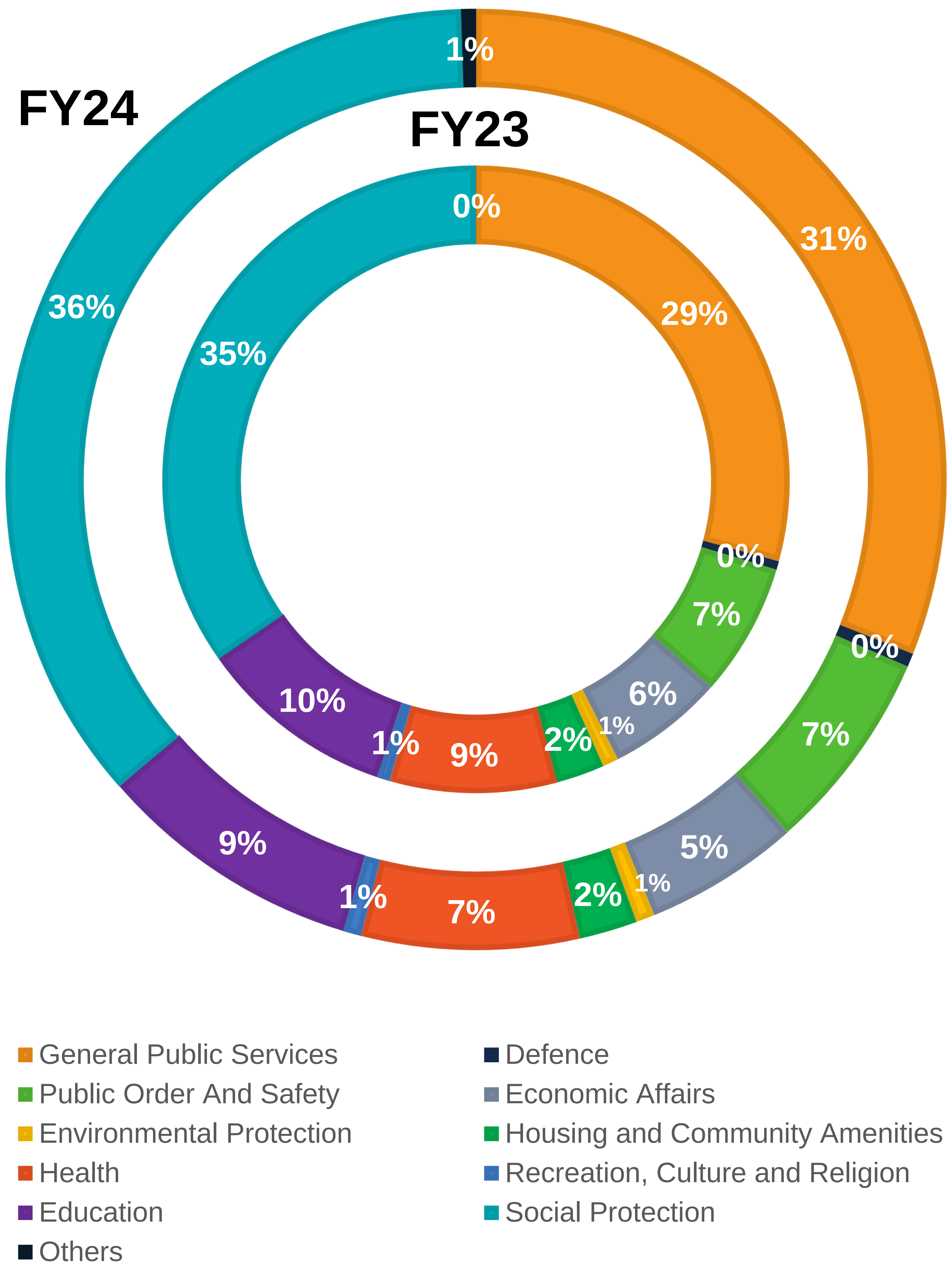


REVENUE & EXPENDITURE

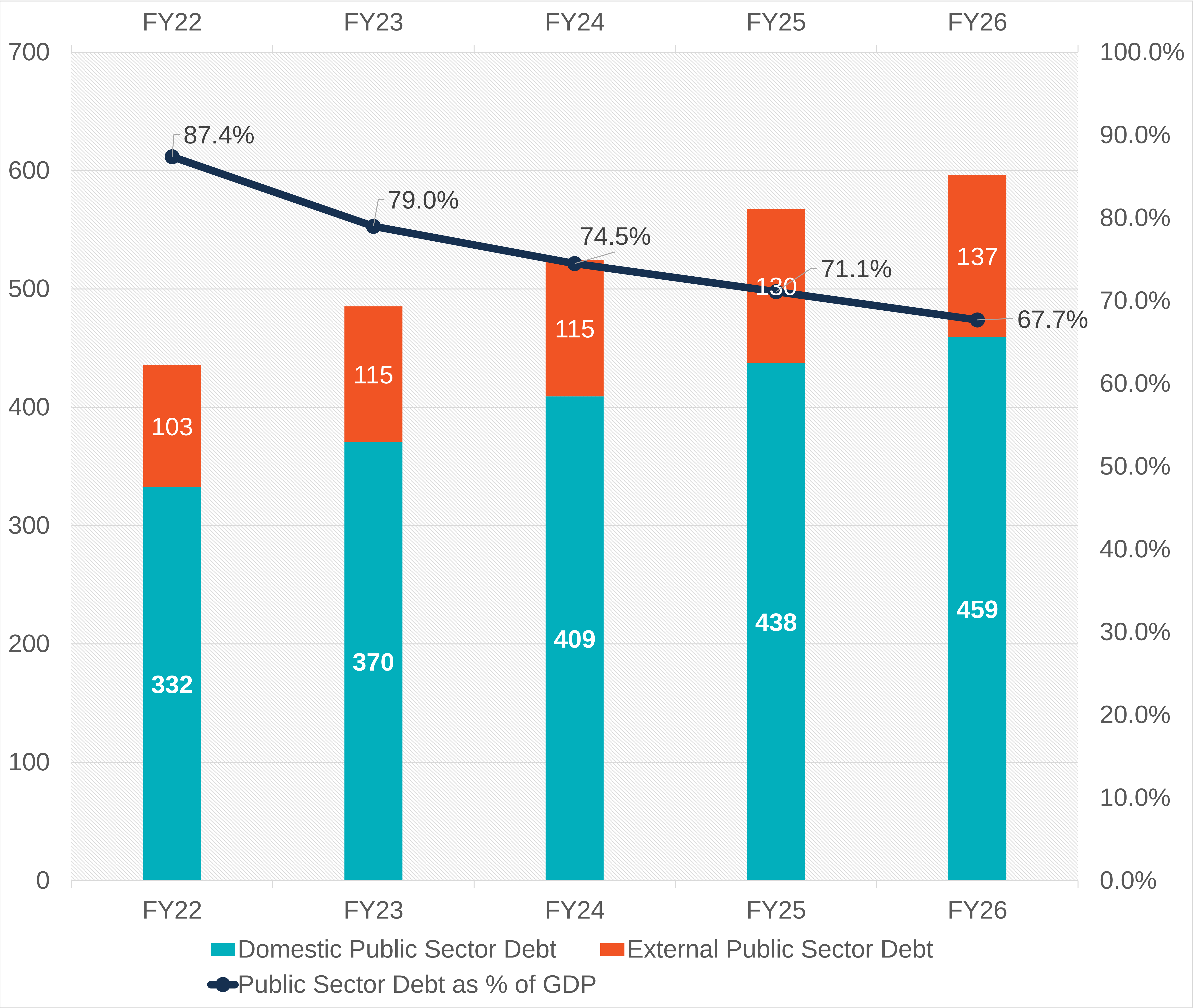
23/24 VS 24/25 REVENUE (RS MILLIONS)



23/24 VS 24/25 EXPENDITURE (RS MILLIONS)

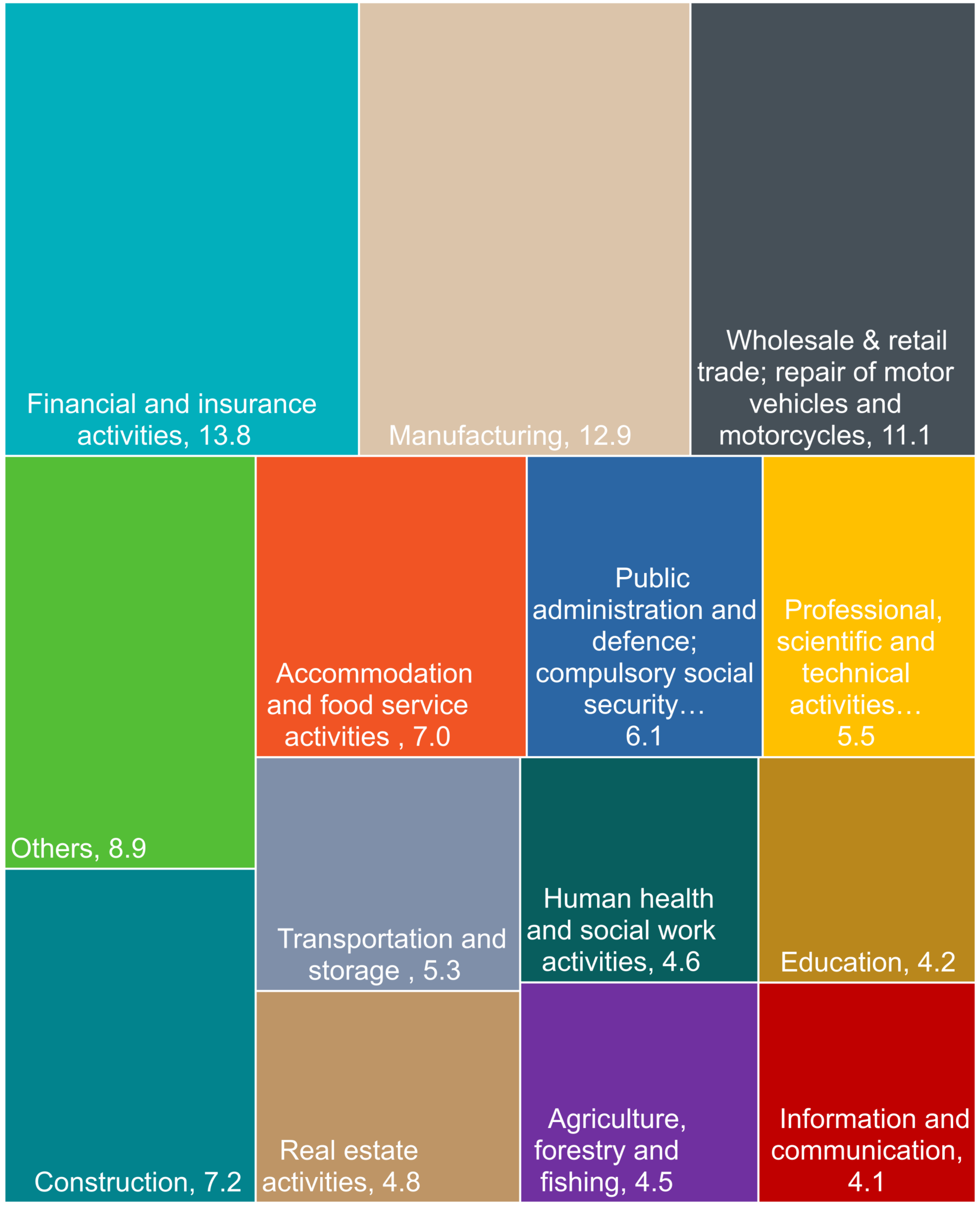


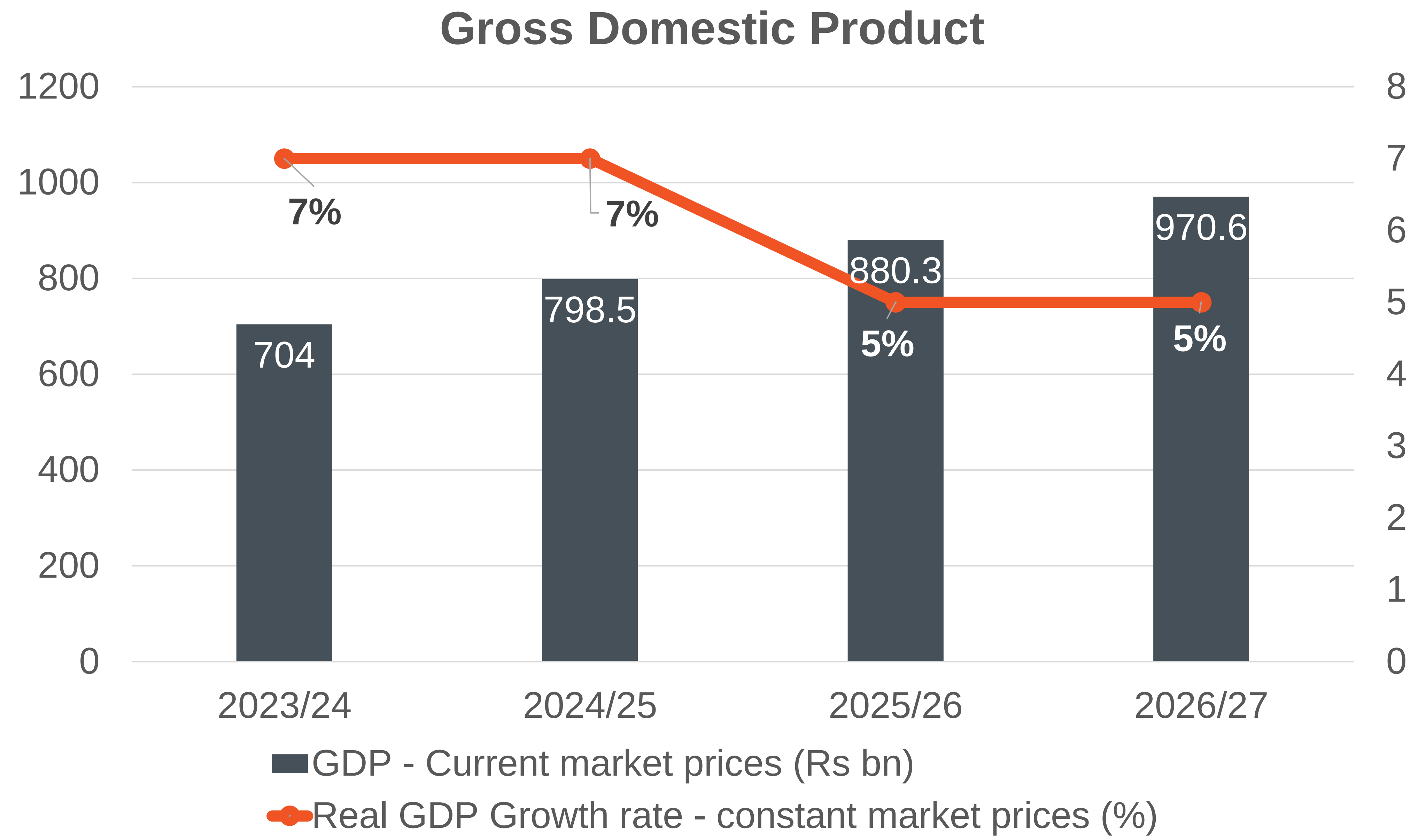
PUBLIC DEBT



At the end of 2023, public sector debt stood at 78% of GDP, reflecting a reduction of 7.2 percentage points from the previous year. The government aims to further decrease public sector debt from 80.2% of GDP in June 2023 to 74.5% by June 2024, and to 71.1% by June 2025. This decline is supported by robust economic growth and improved public finances in FY 2023-2024.

ECONOMIC OVERVIEW



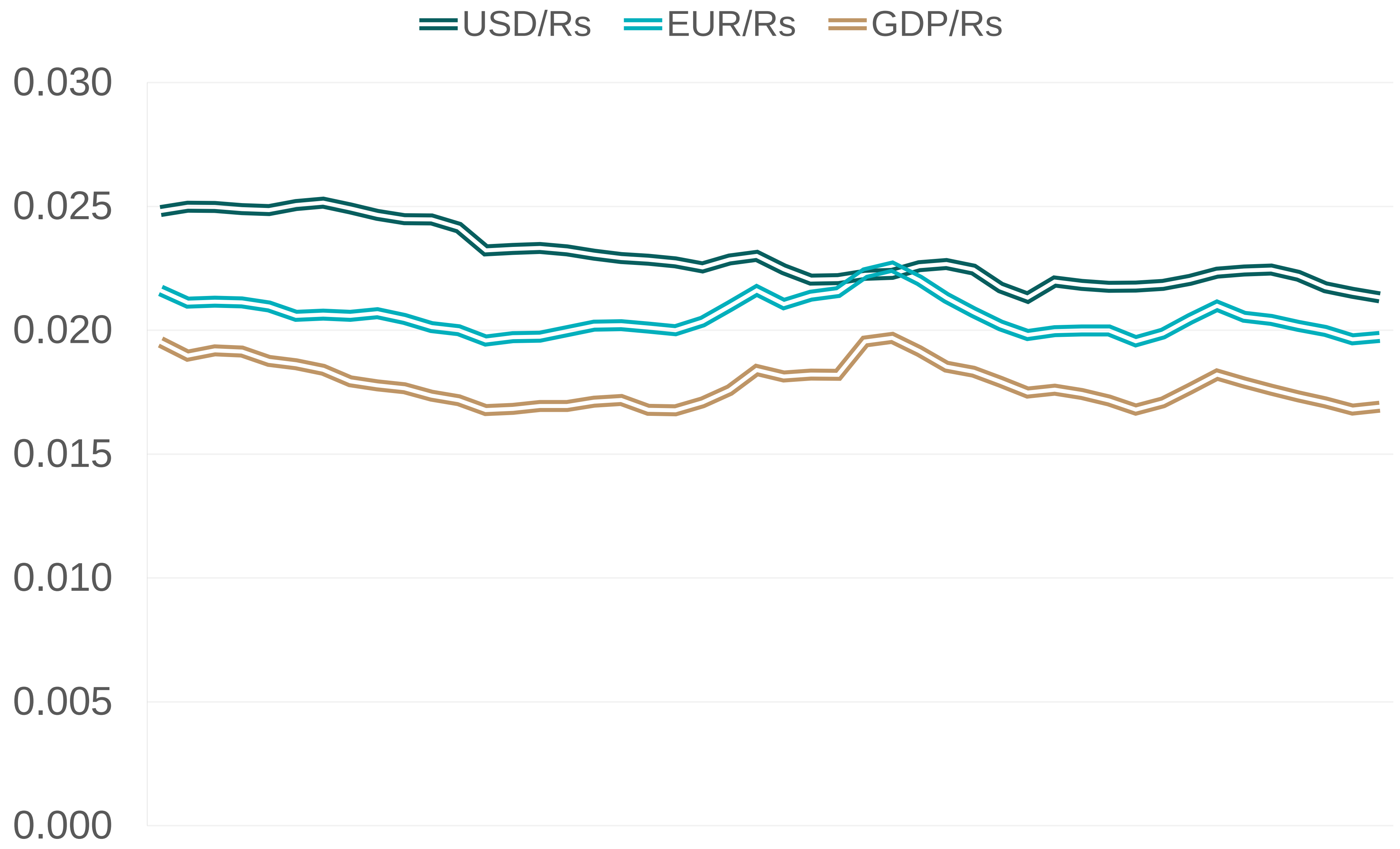


The Mauritian economy has shown a strong recovery from the pandemic and international geopolitical conflicts. Real GDP grew by 8.9% in 2022 and by 7% in 2023. This growth was driven by rebounds in tourism and entertainment, transportation, construction, financial services, retail trade, and manufacturing.

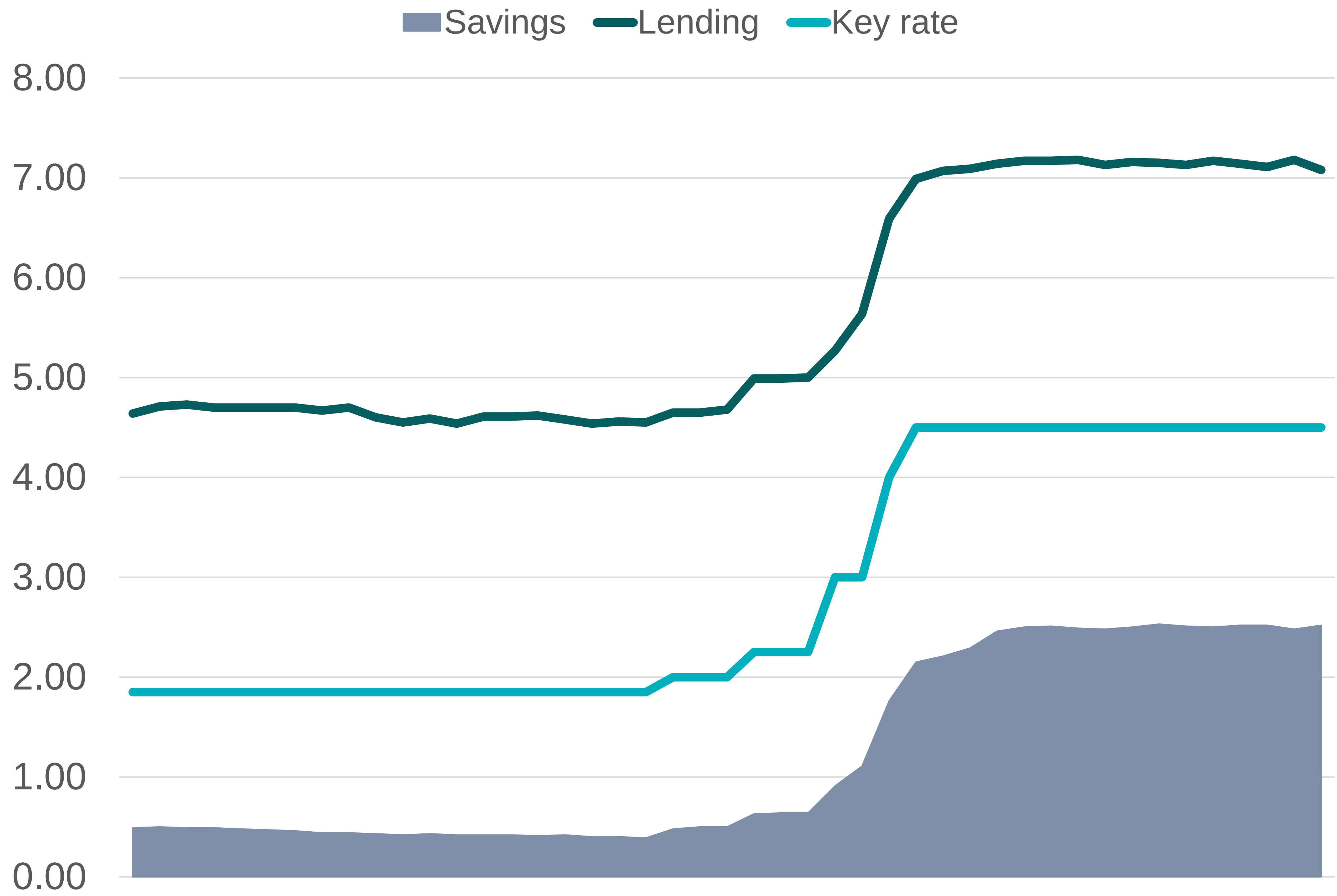
Considering the projected performance of various economic sectors and the anticipated impact of the measures announced in the Budget Speech, real GDP is expected to grow by 7% in FY 2024-2025 followed by a 5% increase in the subsequent two financial years.

RATES

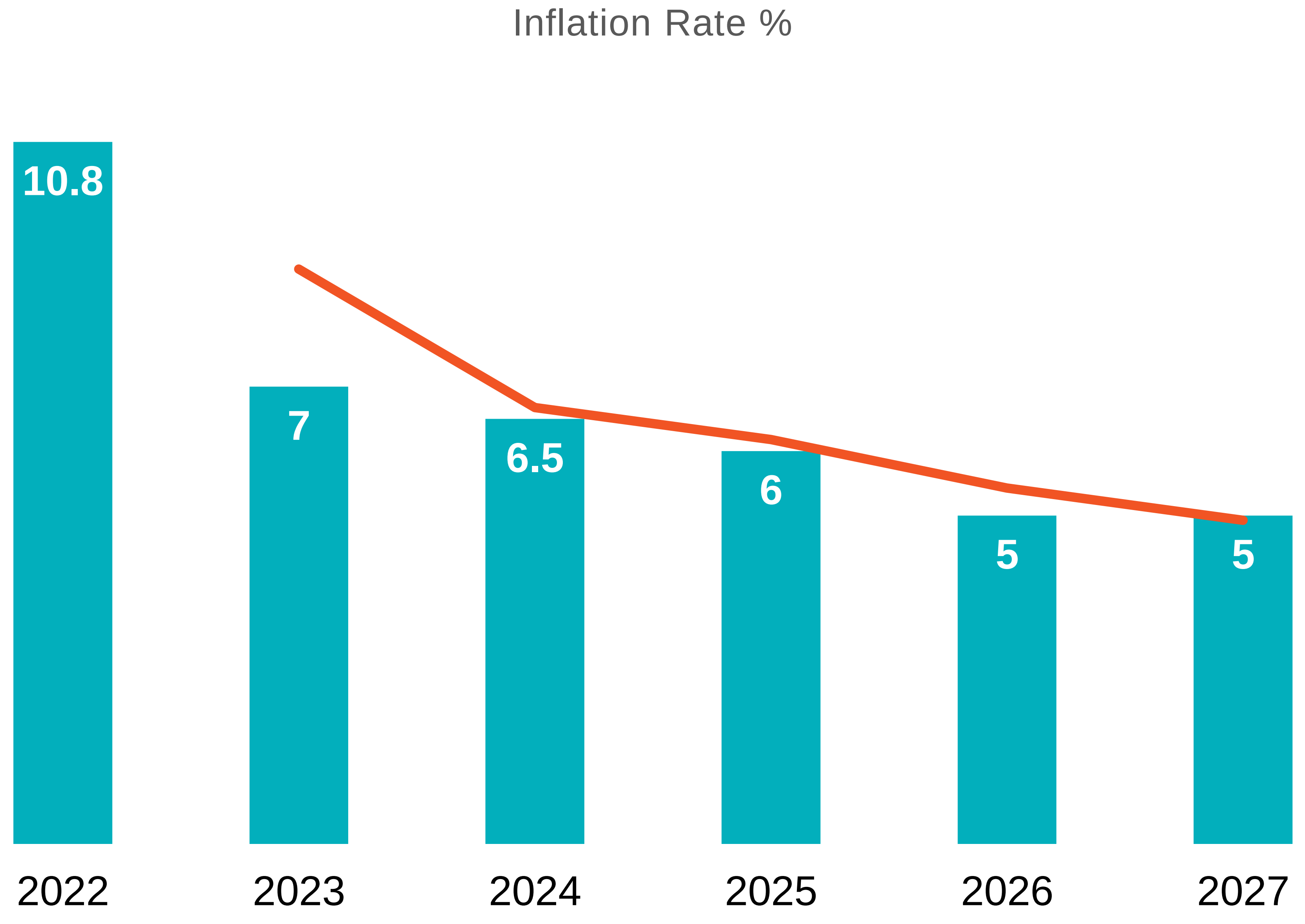
Exchange Rates –
Jul 2020 to March 2024



Interest Rates –
Jul 2020 to March 2024

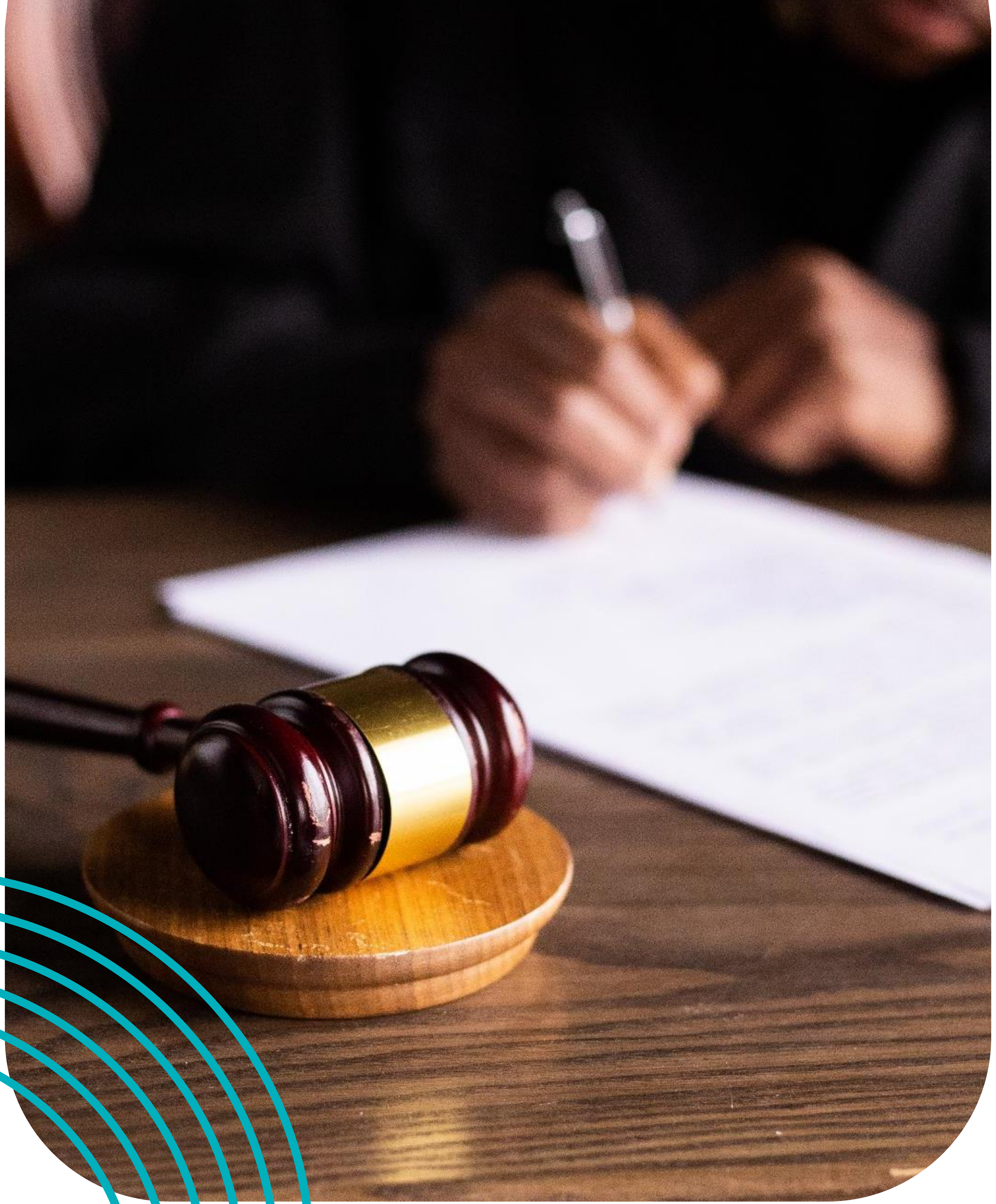


Inflation Rate –
2022 to 2027



The rebound in local economic activities and favourable global commodity price developments led to consistent improvements in labor market conditions and a reduction in inflationary pressures. Consequently, the inflation rate dropped from 10.8% in 2022 to 7% in 2023 and continued its downward trend, reaching 5.2% in April 2024.

GLOBAL BUSINESS



Summary of Key Legislative Changes on the Global Business Landscape

Companies Act

The Companies Act will be amended to:

- Require submission of a company constitution for incorporation applications of companies limited by guarantee;
- Define duties of a company secretary nominated by a one person company;
- Require the Board of a company to notify the Registrar of Companies about director or secretary resignations;
- Ensure that the administrator appointed for the winding up of a limited life company complies with provisions of the Insolvency Act;
- Obtain the prior no objection from the FSC upon request for removal of a company, holding a global business licence, from the Register of Companies;
- Require that fees payable to the Registrar of Companies be paid at the time of submission of any document or at the time of a request;
- Allow a company holding a Global Business Licence or an Authorised Company to also comply with provisions of the Companies Act, relating to prejudiced shareholders and alterations to constitution, unless the constitution of the company provides otherwise.

Financial Services Act Updates

The Financial Services Act will be amended as follows:

- Require the Chief Executive to make appropriate annotations in the register with respect to a licensee where the licence is suspended or terminated;
- Introduce timeframes for the processing of licences falling under the regulatory purview of the FSC;
- Impose a requirement on qualified trustee to provide such information at the request of the FSC;
- Empower the Chief Executive to appoint an investigator;
- Enable the Chief Executive to refer, to the Enforcement Committee, past matters where licensees have carried out their businesses in a manner which threatens the integrity of the financial system of Mauritius or is contrary or detrimental to the interest of the public or in case of financial crime;
- Set the timeframe of 6 months after closure of its financial year for an Authorised Company to file with the FSC its financial summary, accounts, financial statements or returns;
- Allow the Chief Executive to issue directions to Authorised Companies and corporations holding a Global Business Licence.

Financial Reporting Act Updates

The Financial Reporting Act will be amended to:

- Exclude Authorised Companies, licensed under the Financial Services Act, from the definition of Public Interest Entities;
- Provide for renewal of membership for registered professional accountants; and
- Provide that Public Interest Entities will pay an annual subscription fee to the National Committee on Corporate Governance for services being rendered by the Committee.

Virtual Asset and Initial Token Offering Services Act

The amendment will impose a statutory obligation on a Virtual Asset Service Provider to appoint a Senior Executive at all times, duly approved by the FSC.

The exemption granted in respect of income derived from the sale of securities will be extended to cover sale of virtual assets and virtual tokens.

Other legislative changes

FSC will be able to levy fees for post-licensing processes including the appointment of officers, directors, auditors, actuaries, new controllers, beneficial owners, Management Companies and Registered Agents. The FSC will increase the Processing and Annual Fees payable by its licensees.

The Freeport Act will be amended to allow a company to operate under both a Global Business Licence and a Freeport certificate but it will not be entitled to the tax holiday granted to qualifying freeport operators.

EASE OF DOING BUSINESS

EASE OF DOING BUSINESS

- Bank Account Portability to become a reality this year.
- 24/7 Business Registration Info Center at the Companies and Business Registration Department (CBRD).
- The Economic Development Board (EDB) to double the number of licences issued electronically within 3 years.
- Occupation Permit threshold for professionals lowered from Rs 30,000 to Rs 22,500.
- Temporary Occupation Permit of 3-months for professionals with 10+ years of experience pending approval.
- Introduction of a 10-year expert Occupation Permit to attract foreign talents in wealth management, family office, virtual assets and virtual tokens.
- Government Gazettes and Legislation to be made available electronically by December 2024.
- Non-citizens with Retired Residence Permit allowed to work without additional permits.
- Electronic payments accepted for services by local authorities.
- Foreign entities allowed to hold an immovable property through a non-renewable lease for up to 30 years for industrial or commercial use.

- The centralised electronic Know Your Customer (e-KYC) system will be extended to the Global Business sector.

- The FSC will streamline its licences and permits to ensure they are granted within 10 working days, subject to all requirements being met.

- Implement a new mechanism to reduce the turn-around time to better respond to queries from investors and process applications for licences.

- Establish a time frame for processing specific licences. Once the established time frame is nearing expiry, the application will be channeled to a fast-track Sub-Committee for the issuance of the licence.

- It will be clarified that when an immovable property is brought as equity participation in a company, registration duty is levied on the difference between the value of the property transferred and the value of shares held in that company.

“Fast-tracking of the e-Gate and e-Passport for enhanced travelers’ experience.”

TAXATION

New Items under Exempt Income

- Interest income derived from bonds issued by public sector companies to finance infrastructure projects, subject to approval by the Minister of Finance, Economic Planning and Development.
- Gains or profits from the sale of units, securities, or debt obligations, extended to include virtual assets and virtual tokens.

Captive Insurance

- 8-year income tax holiday will be applicable to a captive insurer as from the date the company has started its activities.

The Medical, Biotechnology, or Pharmaceutical Sector

- Income derived from intellectual property assets by manufacturing companies in the medical biotechnology or pharmaceutical sectors will be taxed at 15% instead of the current rate of 3% to align with international norms and address the OECD’s concerns regarding harmful Intellectual Property (IP) regimes.

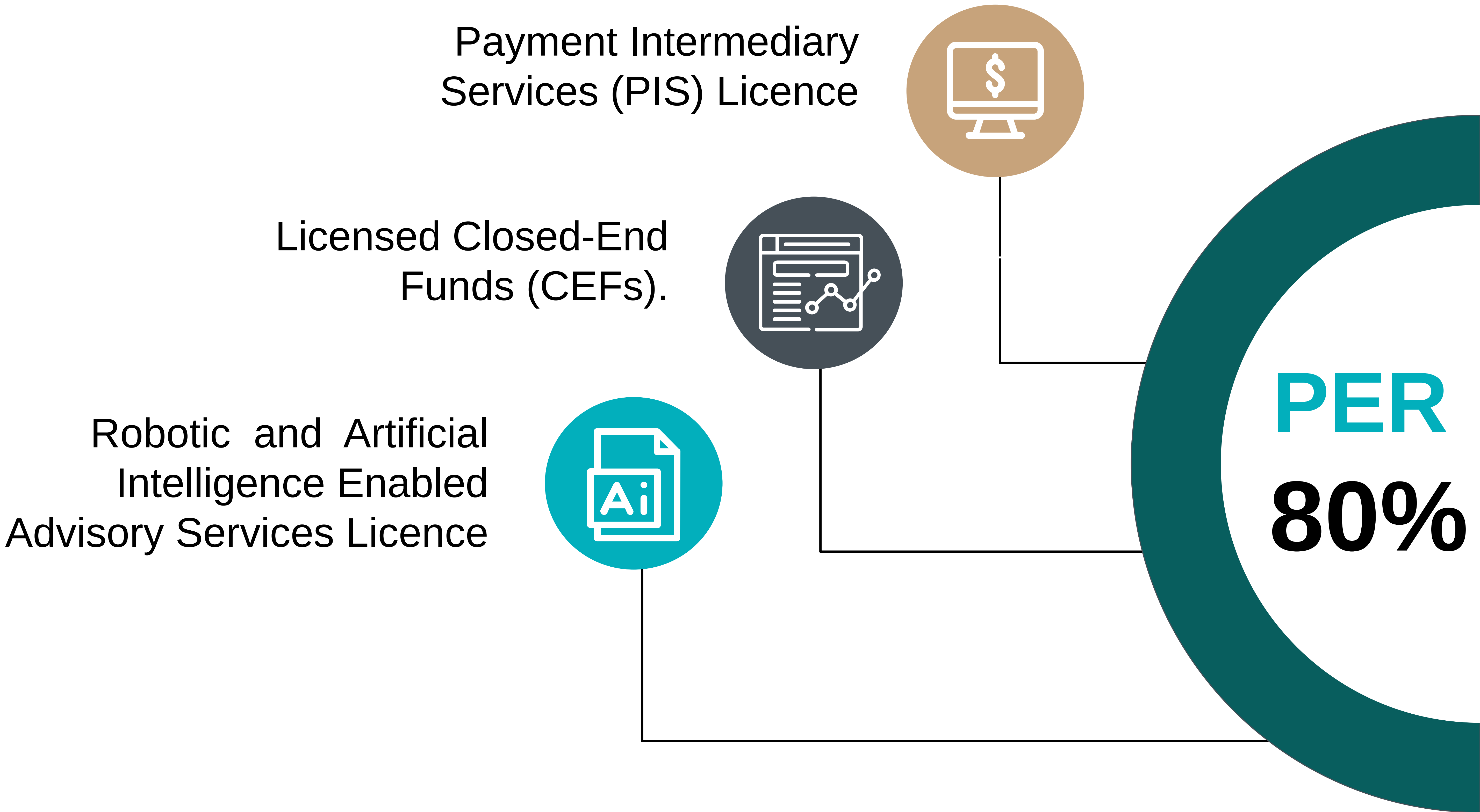
> “The Fund and Asset Manager Certificate will be reviewed to include at least 2 qualified officers.”

PARTIAL EXEMPTION REGIME

Subject to meeting the relevant substance requirements, the Partial Exemption Regime (PER) of 80% will now also be available for the following streams of income:

- Income derived by companies holding a Robotic and Artificial Intelligence Enabled Advisory Services Licence issued by the Financial Services Commission (FSC).
- Income derived from the sale of money market instruments or debt instruments for licensed Closed-End Funds (CEFs).
- Income derived by companies holding a Payment Intermediary Services (PIS) Licence.

It has also been clarified that the income derived from administrative services provided by Management Companies (MCs) to CIS licence holders will not qualify for the 80% partial exemption available to CIS Administrators.



TAXATION

Introduction of Corporate Climate Responsibility Levy

The Government will introduce a Corporate Climate Responsibility (CCR) Levy of 2% on profits of companies with a turnover exceeding Rs 50 million, and it remains to be explained / clarified as to how the CCR will be calculated and whether it will apply to Global Business Companies.

Other Measures

The investment tax credit of 15% over three years will now include investments in Artificial Intelligence and patents.

Companies will be able to operate under both a Global Business Licence and a Freeport Certificate, but will not benefit from the 8-year income tax holiday for qualifying Freeport operators.

Tax Administration

Effective Change in Ownership

An effective change in ownership of a company will be deemed to have occurred where there is a change of more than 10% in its shareholding.

Tax Arrears Payment Scheme ("TAPS")

The TAPS will be extended for one year, affording a waiver on penalties and interest if tax arrears under the Income Tax Act, VAT Act, and Gambling Regulatory Authority Act are fully settled by 31st March 2025. Taxpayers must register by 31st December 2024 to qualify.

E-publication of names of Companies

The provisions relating to the timeframe for publication of names of companies not submitting returns will be fine-tuned.

Amended Return

A taxpayer who has filed an objection with the MRA against an assessment or has lodged a representation with the Assessment Review Committee, will not be allowed to submit an amended return.

Value Added Tax

- Services provided by a Management Company to (i) trusts whose settlor and beneficiaries are non-residents or (ii) foundations whose founder and beneficiaries are non-residents will now be zero-rated for VAT purposes.
- It has been clarified that the MRA has a time limit of 4 years to request information from a person in relation to a submitted return, starting from the taxable period in which the return is filed.
- The MRA will be empowered to assess tax payable for up to 4 years prior to the taxable period in which a return is submitted, rather than 4 years prior to the taxable period when the tax liability arose, to allow for sufficient time to examine returns which are submitted late.

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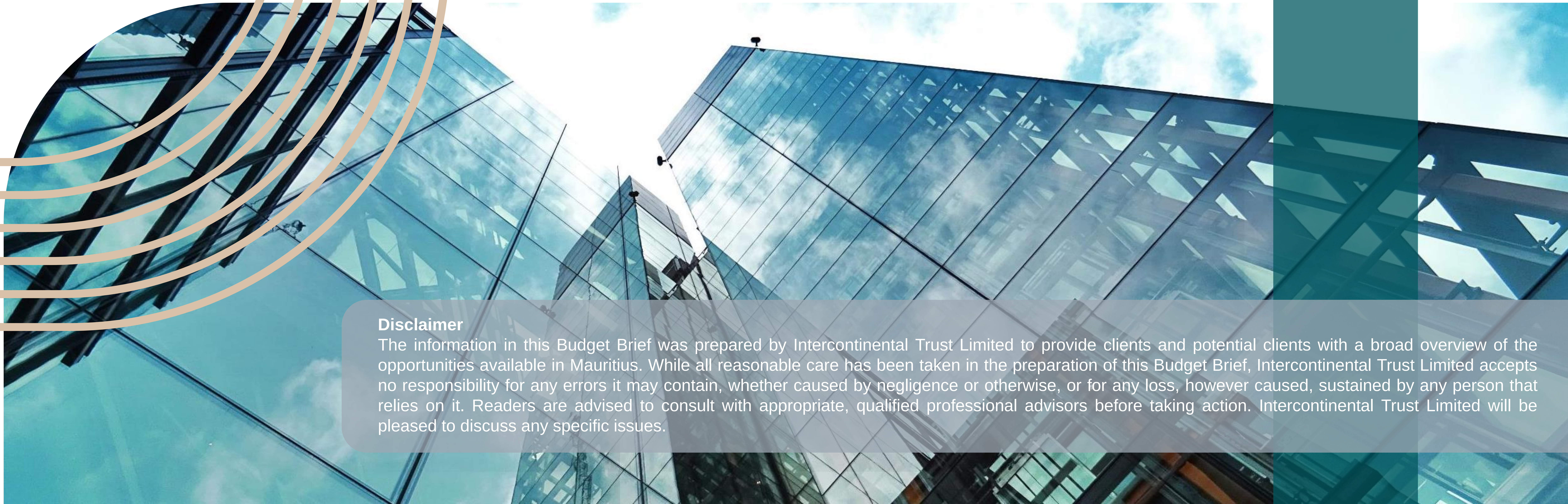

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